

**Illinois Department of Revenue
Regulations**

Title 86 Part 160 Section 160.165 Interest

TITLE 86: REVENUE

**PART 160
SERVICE USE TAX**

Section 160.165 Interest

- a) Any credit or refund that is allowed under the Act shall bear interest at the rate of 1% per month or fraction thereof from the date when the erroneous payment for which the credit or refund is being allowed was made to the Department until the credit memorandum is issued or the refund is paid until January 1, 1994. *Interest shall not be paid on claims filed after the effective date of the Uniform Penalty and Interest Act and 86 Ill. Adm. Code 700 except such interest which is paid in accordance with the Act.* (Section 3-9 of the Uniform Penalty and Interest Act) [35 ILCS 735/3-9]
EXAMPLE: A taxpayer files a claim for credit with the Department on January 15, 1994 for an overpayment of Service Use Tax. The overpayment occurred in October 1992 when the taxpayer, an out-of-state registered serviceman, made a sale of service to an Illinois service customer, collected Service Use Tax on 50% of the total bill to the service customer and remitted the tax to the Department. The sale of service involved the repair of a piece of graphic arts machinery and equipment. The serviceman determined that the repair should have been made tax-free, refunded the tax to the service customer and filed a claim for credit with the Department. The credit memorandum is issued on June 15, 1994. Interest shall be paid at the rate of 1% per month for the period from October 1992 through December 31, 1993; and at the semiannually adjusted interest rate imposed pursuant to the Uniform Penalty and Interest Act from January 1, 1994 until June 15, 1994, the date on which the credit memorandum was issued by the Department.
- b) No interest will be allowed if the overpayment is found by the Department to have been made deliberately for the purpose of drawing interest, or if the overpayment is ascertained not to have been bona fide for some other reason.
- c) When a claim that is allowed is paid by means of a credit memorandum instead of by means of a cash refund, the claim will be considered to have been paid when the credit memorandum is issued by the Department to the claimant, and no interest will be allowed or paid by the Department for any period subsequent to that, even if the claimant does not use or assign the credit memorandum immediately after it is issued.

(Source: Amended at 18 Ill. Reg. 1557, effective January 13, 1994)